EXHIBIT R-9

BOWATER CANADIAN FOREST PRODUCTS INC.

INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2007

Prepared by Management without Auditor Review

See Notice to Reader

Notice to Reader

Management has compiled the unaudited interim financial information of Bowater Canadian Forest Products Inc., consisting of the comparative Consolidated Balance Sheets as at June 30, 2007 and December 31, 2006 and the comparative Consolidated Statements of Operations, Deficit, Cash Flows and Comprehensive Loss for the three and six months ended June 30, 2007 and 2006. All amounts are stated in Canadian dollars, unless otherwise indicated. An auditor has not reviewed or audited these Interim Financial Statements.

Bowater Canadian Forest Products Inc.

(unaudited interim financial statements)

Three and six months ended June 30, 2007

Bowater Canadian Forest Products Inc.

Consolidated Statements of Operations

(Unaudited, in millions of dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006 Restated (note 2)	**2007**	2006 Restated (note 2)
Sales (note 11)	$ **354.1**	$ 445.8	$ **734.0**	$ 931.6
Cost of sales	**318.0**	383.8	**633.2**	800.2
Amortization of capital assets	**39.8**	41.5	**81.0**	82.9
Distribution costs	**41.5**	47.9	**83.4**	100.0
Selling and administrative expenses (note 11)	**11.5**	18.8	**29.7**	36.9
	410.8	492.0	**827.3**	1,020.0
Operating loss	**(56.7)**	(46.2)	**(93.3)**	(88.4)
Interest expense, net (note 3)	**(10.9)**	(14.1)	**(22.1)**	(33.7)
Other (expense) income, net (note 4)	**(5.2)**	62.2	**(3.4)**	78.8
(Loss) income before income taxes and non-controlling interest	**(72.8)**	1.9	**(118.8)**	(43.3)
Income tax (provision) benefit (note 7)	**(3.9)**	1.2	**(2.6)**	0.7
(Loss) income before non-controlling interest	**(76.7)**	3.1	**(121.4)**	(42.6)
Non-controlling interest	-	0.7	-	2.6
Net (loss) income	$ **(76.7)**	$ 3.8	$ **(121.4)**	$ (40.0)

Consolidated Statements of Deficit

(Unaudited, in millions of dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006 Restated (note 2)	**2007**	2006 Restated (note 2)
Deficit at beginning of period				
As previously reported	$ **(1,622.7)**	$ (1,576.6)	$ **(1,665.6)**	$ (1,613.7)
Effect of related-party acquisition (note 2)	-	-	**87.9**	81.2
As restated	**(1,622.7)**	(1,576.6)	**(1,577.7)**	(1,532.5)
Net (loss) income	**(76.7)**	3.8	**(121.4)**	(40.0)
Dividends declared	**(0.2)**	(0.3)	**(0.5)**	(0.6)
Deficit at end of period	$ **(1,699.6)**	$ (1,573.1)	$ **(1,699.6)**	$ (1,573.1)

See accompanying notes to unaudited interim consolidated financial statements.

Bowater Canadian Forest Products Inc.

Consolidated Balance Sheets

(Unaudited, in millions of dollars)		June 30, 2007		December 31, 2006 Restated (note 2)
Assets				
Current Assets				
Accounts receivable:				
Trade	$	**106.5**	$	112.4
Other		**39.0**		41.0
Affiliates		**139.4**		102.6
Income and other taxes receivable		**5.0**		4.6
Inventories		**201.8**		206.5
Assets held for sale (note 8)		**-**		1.3
Prepaid expenses		**11.9**		5.3
Total current assets		**503.6**		473.7
Advances to affiliates		**350.5**		388.8
Future income taxes		**4.2**		7.3
Capital assets		**1,388.6**		1,451.3
Assets held for sale (note 8)		**1.2**		0.6
Other assets		**145.3**		145.9
Goodwill		**9.2**		9.2
Total assets	**$**	**2,402.6**	**$**	2,476.8
Liabilities				
Current liabilities				
Bank overdraft	**$**	**9.0**	**$**	1.0
Bank indebtedness (note 5)		**0.9**		4.2
Accounts payable and accrued charges		**171.1**		186.0
Current portion of long-term debt		**14.6**		15.9
Total current liabilities		**195.6**		207.1
Future income taxes		**-**		0.6
Advances from affiliates		**292.6**		202.7
Long-term debt, net of current portion		**236.9**		262.5
Employee future benefits (note 6)		**105.1**		106.9
Non-controlling interest		**5.9**		9.7
Other liabilities		**19.0**		16.2
Total liabilities		**855.1**		805.7
Shareholder's equity				
Capital stock (note 9)		**2,662.9**		2,662.9
Paid-in surplus		**567.9**		567.2
Accumulated other comprehensive income		**16.3**		18.7
Deficit		**(1,699.6)**		(1,577.7)
Total shareholder's equity		**1,547.5**		1,671.1
Total liabilities and shareholder's equity	**$**	**2,402.6**	**$**	2,476.8

See accompanying notes to unaudited interim consolidated financial statements.

Bowater Canadian Forest Products Inc.

Consolidated Statements of Cash Flows

(Unaudited, in millions of dollars)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006 Restated (note 2)	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006 Restated (note 2)
Cash flows from (used for) operating activities				
Net (loss) income	$ **(76.7)**	$ 3.8	$ **(121.4)**	$ (40.0)
Adjustments for:				
Amortization of capital assets	**39.8**	41.5	**81.0**	82.9
Future income taxes	**(3.1)**	0.2	**2.5**	(0.3)
Non-controlling interest	**-**	(0.7)	**-**	(2.6)
Gain on disposal of capital assets	**(13.6)**	(86.6)	**(17.9)**	(88.0)
Unrealized exchange gain on monetary items	**(24.4)**	(16.7)	**(29.8)**	(18.0)
Changes in net assets or liabilities of pension plans and other benefit plans	**(11.9)**	(12.3)	**0.1**	1.4
Share in income of company subject to significant influence	**(0.1)**	(0.5)	**(0.3)**	(0.9)
Other	**9.6**	(5.9)	**(7.7)**	(13.0)
	(80.4)	(77.2)	**(93.5)**	(78.5)
Net change in non-cash operating working capital	**(115.4)**	68.3	**(44.8)**	111.4
	(195.8)	(8.9)	**(138.3)**	32.9
Cash flows from (used for) investing activities				
Additions to capital assets	**(13.5)**	(19.7)	**(21.6)**	(32.9)
Repayments from (advances to) affiliates	**44.8**	15.2	**45.0**	(28.3)
Proceeds from sale of capital assets	**22.1**	130.1	**27.2**	134.8
	53.4	125.6	**50.6**	73.6
Cash flows from (used for) financing activities				
Increase (decrease) in bank overdraft and bank indebtedness	**9.6**	(3.1)	**4.7**	(14.7)
Repayment of long-term debt	**(12.3)**	(14.0)	**(15.0)**	(16.6)
Advances from (repayments to) affiliates	**139.5**	(98.4)	**98.7**	(73.8)
Dividends paid	**(0.5)**	(0.3)	**(0.5)**	(0.6)
Other financing activities	**-**	-	**(0.6)**	0.3
	136.3	(115.8)	**87.3**	(105.4)
Effect of exchange rate changes on cash	**0.6**	(0.1)	**0.4**	0.1
Net (decrease) increase in cash and cash equivalents	**(5.5)**	0.8	**-**	1.2
Cash and cash equivalents at beginning of period	**5.5**	0.4	**-**	-
Cash and cash equivalents at end of period	$ **-**	$ 1.2	$ **-**	$ 1.2
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest, including capitalized interest	$ **13.1**	$ 25.8	$ **20.6**	$ 37.4
Income taxes	$ **-**	$ 1.0	$ **-**	$ 1.9

See accompanying notes to unaudited interim consolidated financial statements

Bowater Canadian Forest Products Inc.

Consolidated Statements of Comprehensive Loss

(Unaudited, in millions of dollars)	Three Months Ended June 30, **2007**	Three Months Ended June 30, 2006 Restated (note 2)	Six Months Ended June 30, **2007**	Six Months Ended June 30, 2006 Restated (note 2)
Net (loss) income	**$ (76.7)**	$ 3.8	**$ (121.4)**	$ (40.0)
Other comprehensive income (loss)				
Exchange translation of foreign subsidiaries	**0.8**	(4.8)	**(2.4)**	1.2
Comprehensive loss	**$ (75.9)**	$ (1.0)	**$ (123.8)**	$ (38.8)

See accompanying notes to unaudited interim consolidated financial statements

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Bowater Canadian Forest Products Inc. and its subsidiaries (collectively, the "Company"). All consolidated subsidiaries are wholly-owned with the exception of Bowater Canadian Finance Limited Partnership ("BCFLP"), which is 99.0% owned. The remaining 1.0% of BCFLP is owned by Bowater Canadian Holdings Incorporated ("BCHI"), an affiliate of the Company. The Company also has a 30% interest in an unconsolidated entity, Chaleur Sawmills Associates, which is accounted for using the equity method. The Company is a wholly-owned direct subsidiary of Bowater Canada Inc., which is an indirect, wholly-owned subsidiary of Bowater Incorporated (the "ultimate parent company").

These interim financial statements are expressed and denominated in Canadian dollars except where otherwise noted and have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The interim consolidated balance sheets, statements of operations, deficit, cash flows and comprehensive loss are unaudited. However, in management's opinion, all adjustments (consisting of normal recurring adjustments) necessary for fair presentation of the interim financial statements have been made. The results of the interim period ended June 30, 2007 are not necessarily indicative of the results expected for the full year.

While management believes that the disclosures presented are adequate, these unaudited interim consolidated financial statements and notes should be read in conjunction with the Company's audited annual consolidated financial statements.

2. Related-Party Acquisition

In January 2007, the Company acquired a 100% interest in Bowater Lahave Corporation ("Lahave") from the ultimate parent company in exchange for the issuance by the Company of 1,741,459 Class D preferred shares. Lahave is the 100% owner of Bowater-Korea, which had a book value at the date of acquisition of $203.3 million. Bowater-Korea owns and operates a paper mill and recycling plant in Mokpo, South Korea. Since this acquisition occurred among subsidiaries of the ultimate parent company which are affiliates of the Company, the consolidated financial statements of the Company reflect the assets and liabilities of the transferred business at net book value as reported in the financial statements of the transferred business, frequently referred to as "continuity-of-interests" accounting. Under this method, the consolidated financial statements for all periods include income of the combining companies for the entire period and the results for previous periods have been restated so as to give effect to the combination of the companies assuming such had occurred at their inception.

3. Interest Expense, net

"Interest expense, net" in the Consolidated Statements of Operations includes the following:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(unaudited, in millions of dollars)	**2007**	2006 Restated (note 2)	**2007**	2006 Restated (note 2)
Interest on third party long-term debt	**$ (7.3)**	$ (10.8)	**$ (15.7)**	$ (21.4)
Amortization of deferred financing costs	**(0.2)**	(0.1)	**(0.4)**	(0.1)
Net interest expense on debt with affiliates	**(4.0)**	(3.6)	**(6.6)**	(13.0)
Interest income	**0.6**	0.4	**0.6**	0.8
	$ (10.9)	$ (14.1)	**$ (22.1)**	$ (33.7)

4. Other (Expense) Income, net

"Other (expense) income, net" in the Consolidated Statements of Operations includes the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	**2007**	2006
(unaudited, in millions of dollars)		Restated (note 2)		Restated (note 2)
Foreign exchange loss	**$ (19.2)**	$ (25.7)	**$ (22.1)**	$ (10.4)
Gain on disposal of capital assets	**13.6**	86.6	**17.9**	88.0
Share in income of company subject to significant influence	**0.1**	0.5	**0.3**	0.9
Other income	**0.3**	0.8	**0.5**	0.3
	$ (5.2)	$ 62.2	**$ (3.4)**	$ 78.8

5. Bank Indebtedness

The ultimate parent company, Bowater Incorporated, has available a US$165.0 million 364-day renewable, revolving credit facility (the "Canadian Credit Facility"). The Company is the borrower on the Canadian Credit Facility, and the ultimate parent company is the guarantor.

The Canadian Credit Facility provides for a US$165.0 million (CDN$175.3 million) revolving credit facility with a maturity date of May 28, 2008, subject to annual extensions. The Canadian Credit Facility is secured by liens on the inventory, accounts receivable and deposit accounts of the Company. Availability under the Canadian Credit Facility is limited to 65% of the net book value of the Company's accounts receivable and inventory. Financial covenants under the Canadian Credit Facility are based upon the ultimate parent company's consolidated financial results and consist of the following two ratios:

- a maximum ratio of senior secured indebtedness (including all advances and letters of credit under the Canadian Credit Facility, and any other indebtedness secured by assets of the Company) to EBITDA (generally defined as net income, excluding extraordinary, non-recurring or non-cash items and gains (or losses) on asset dispositions, plus income taxes plus depreciation plus interest expense) of 1.25 to 1; and
- a minimum ratio of EBITDA (defined as EBITDA, plus gains (or minus losses) from asset dispositions) to interest expense of 2.00 to 1.

The Company believes that it and the ultimate parent company are in compliance with all of their covenants and other requirements set forth in the Canadian Credit Facility.

As of June 30, 2007, the Company had approximately US$129.2 million (CDN$137.2 million) available, net of letters of credit, under the Canadian Credit Facility. The Company had no amounts drawn on the Canadian Credit Facility as of June 30, 2007.

The Company has available various other lines of credit totaling $20 million, of which $0.9 million was drawn as of June 30, 2007. There were no letters of credit against these lines as of June 30, 2007. Amounts drawn under these demand credit facilities bear interest at prime rate.

6. Employee Future Benefits

(unaudited, in millions of dollars)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2007	2006	**2007**	2006
Net periodic benefit cost for defined benefit pension plans	**$ 20.5**	$ 18.8	**$ 31.6**	$ 32.3
Net periodic benefit cost for other future benefit plans	**1.2**	1.6	**2.1**	3.2

In February 2007, union members at the Thunder Bay, Ontario facility ratified a new labor agreement. As a result of the mill-wide restructuring of this facility, 157 jobs were eliminated. A pension curtailment loss of $2.2 million, the cost of special termination benefits of $4.3 million and a non-pension post-retirement curtailment gain of $0.1 million were recorded in the second quarter of 2007. This event will also result in a settlement loss at the time the benefits are paid.

In May 2007, union members at the Gatineau, Québec facility ratified a new labor agreement. As a result of a mill-wide restructuring of this facility, 175 jobs were eliminated. A pension curtailment loss of approximately $3.4 million and a non-pension post-retirement curtailment loss of $0.2 million will be recorded in the third quarter of 2007 as a result of the employee reduction.

The net periodic benefit cost for defined benefit pension plans and other future benefit plans for the three and six months ended June 30, 2006 includes a net curtailment loss of approximately $6.2 million due to the reduction of 260 employees upon the closure of the Thunder Bay "A" kraft pulp mill in May 2006.

7. Income Tax (Provision) Benefit

The Company's effective tax rates for the three and six months ended June 30, 2007 were (5.4)% and (2.2)%, respectively, versus effective tax rates for the three and six months ended June 30, 2006 of (63.2)% and 1.6%, respectively. The unusual effective income tax rates in 2007 are primarily due to the impact of adjustments to valuation allowances during the three and six months ended June 30, 2007. The unusual effective income tax rates in 2006 are primarily due to the 50% non-taxable portion of the gain on disposal of capital assets and the reversal of the federal large corporation tax that was eliminated on June 22, 2006, retroactive to January 1, 2006, as well as the impact of adjustments to valuation allowances during the three and six months ended June 30, 2006.

Due to operating losses generated during the three and six months ended June 30, 2007, income tax benefits of approximately $24.0 million and $38.6 million, respectively, were entirely offset by tax charges to increase the valuation allowance. Due to operating losses generated during the three and six months ended June 30, 2006, income tax benefits of approximately $16.7 million and $32.4 million, respectively, were entirely offset by tax charges to increase the valuation allowance.

The Company is eligible to receive grants in the form of tax credits from the Federal and Québec governments related to research and development activities and certain eligible road construction expenditures. Tax credits of $4.8 million were recognized during both the three and six months ended June 30, 2007 and were recorded in cost of sales. The federal non-refundable portion of these tax credits totaled $3.8 million and was offset by an increase in the valuation allowance against our remaining net deferred tax assets, which were primarily for loss carryforwards and tax credits.

8. Assets Held for Sale

The Company is currently marketing for sale approximately 1,700 acres of timberlands in Canada with a carrying value of $1.2 million. The Company expects the sales to be completed in 2007. The assets held for sale are carried in long-term assets held for sale on the Consolidated Balance Sheet at cost. The Company expects the proceeds of the timberland sales to exceed their individual carrying values.

During the second quarter of 2007, the Company sold approximately 4,000 acres of timberlands located in Québec and other assets for proceeds of $1.2 million and approximately 50 acres of land and other assets located in South Korea for proceeds of approximately $20.9 million. In connection with the sale, the Company recorded a gain of approximately $13.6 million during the second quarter of 2007.

During the first quarter of 2007, the Company sold approximately 10,000 acres of timberlands located in Québec and other assets for proceeds of approximately $5.1 million. In connection with the sale, the Company recorded a gain of approximately $4.3 million during the first quarter of 2007.

During June 2006, the Company sold approximately 156,000 acres of timberlands located in Québec for proceeds of approximately $48.3 million. In connection with the sale, the Company recorded a gain of approximately $37.1 million during the second quarter of 2006.

On April 21, 2006, the Company sold its Baker Brook sawmill and approximately 225,000 acres of timberlands located in New Brunswick and other assets for combined proceeds of approximately $81.8 million. In connection with the sale, the Company recorded a gain of approximately $49.5 million during the second quarter of 2006.

On March 27, 2006, the Company sold its Dégelis sawmill located in Dégelis, Québec for proceeds of approximately $7.1 million (approximately $4.7 million related to capital asset proceeds and approximately $2.4 million related to inventory proceeds). In connection with the sale, the Company recorded a net gain of approximately $0.9 million (approximately $1.4 million was recorded as a gain on capital assets partially offset by approximately $0.5 million of a loss that reduced goodwill) during the first quarter of 2006.

9. Capital Stock

Authorized:

As at June 30, 2007, the Company's authorized share capital consists of 100 million common shares, 10 million Class A preferred shares, 1 billion Class B preferred shares, 20 million Class C preferred shares and 5 million Class D preferred shares. Holders of the Class A preferred shares are entitled to receive a non-cumulative cash dividend at the rate of 8% per annum, redeemable at the option of the Company at a redemption price of $1,000 per share plus declared and unpaid dividends. Holders of the Class B preferred shares are entitled to receive non-cumulative cash dividends at the rate of 8.5% per annum, redeemable at the option of the Company at redemption price of $1 per share plus declared and unpaid dividends. Holders of the Class C preferred shares and Class D preferred shares are entitled to receive cumulative cash dividends at the rate of 8.55% per annum, redeemable at the option of the Company at a redemption price of $100 per share plus declared and unpaid dividends.

(Unaudited, in millions of dollars)		**June 30, 2007**		December 31, 2006 Restated (note 2)
Issued and paid:				
68,060,541 common shares	$	**959.5**	$	959.5
748,189.058 Class A preferred shares		**748.4**		748.4
867,768,765 Class B preferred shares		**867.8**		867.8
10,425,752 Class C preferred shares		**963.8**		963.8
1,741,459 Class D preferred shares		**96.8**		96.8
		3,636.3		3,636.3
105,430.522 Class A preferred shares owned by subsidiary		**(105.6)**		(105.6)
867,768,765 Class B preferred shares owned by subsidiary		**(867.8)**		(867.8)
		(973.4)		(973.4)
	$	**2,662.9**	$	2,662.9

In January 2007, the ultimate parent company, Bowater Incorporated, transferred ownership of Bowater-Korea to the Company in exchange for 1,741,459 Class D preferred shares, and BCHI transferred a 99% interest in BCFLP to the Company in exchange for 10,425,752 Class C preferred shares. BCFLP had a book value of $973.5 million ($963.8 million, net of non-controlling interest) at the date of the transfer. BCFLP is the 100% owner of Bowater Shelburne Corporation ("Shelburne"). Shelburne holds 867,768,765 shares of the Company's Class B preferred shares and 105,430.522 shares of the Company's Class A preferred shares See also Note 2 to the Consolidated Financial Statements.

10. Segment Information

During the third quarter of 2006, our ultimate parent company, Bowater Incorporated, announced that it was realigning its organizational structure to move from a divisional organization to a functional organization that supports and focuses on its multi-product line manufacturing and sales across its mill base. As a result of this organizational realignment, the Company's reportable segments have been changed to reflect how the Company internally manages its business. The Company's reportable segments are specialty papers, newsprint, market pulp, and lumber. Prior year information has been recast to the current year presentation of the Company's reportable segments.

None of the income or loss items following "Operating loss" in our Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by the Company's management. For the same reason, impairments, employee termination costs, gains on dispositions of assets and other discretionary charges or credits are not allocated to the segments. Share-based compensation expense is, however, allocated to the Company's segments. The Company also allocated depreciation expense to its segments, although the related fixed assets are not allocated to segment assets.

The following tables summarize information about sales and segment loss for the three and six months ended June 30, 2007 and 2006:

(Unaudited, in millions)		Newsprint (Restated – Note 2)	Specialty Papers	Market Pulp	Lumber	Corporate and Other	Consolidated Total (Restated –Note 2)
Net Sales							
Second Quarter	**2007**	**$ 166.4**	**$ 84.8**	**$ 53.9**	**$ 49.0**	**$ -**	**$ 354.1**
Second Quarter	2006	201.9	114.4	54.2	75.3	-	445.8
First Half	**2007**	**$ 337.3**	**$ 187.8**	**$ 109.0**	**$ 99.9**	**$ -**	**$ 734.0**
First Half	2006	417.2	215.9	135.0	156.3	7.2	931.6

(Unaudited, in millions)		Newsprint	Specialty Papers	Market Pulp	Lumber	Corporate and Other	Consolidated Total
Operating Loss							
Second Quarter	**2007**	**$ (13.2)**	**$ (13.7)**	**$ (2.7)**	**$ (6.4)**	**$ (20.7)**	**$ (56.7)**
Second Quarter	2006	(3.2)	(16.8)	(11.3)	(6.6)	(8.3)	(46.2)
First Half	**2007**	**$ (19.0)**	**$ (22.7)**	**$ (0.4)**	**$ (18.1)**	**$ (33.1)**	**$ (93.3)**
First Half	2006	(12.5)	(28.9)	(19.3)	(9.3)	(18.4)	(88.4)

11. Transactions with Related Parties:

The Company, in the normal course of business and on normal commercial terms, makes sales of its manufactured products to Bowater America Inc. ("BAI"), a wholly-owned subsidiary of Bowater Incorporated. During the three and six months ended June 30, 2007, these sales amounted to $166.4 million and $357.9 million, respectively, and during the three and six months ended June 30, 2006, these sales amounted to $225.2 million and $461.2 million, respectively. BAI also acts as sales agent for the Company, providing access to export markets. The aggregate agency commissions paid by the Company to BAI during the three and six months ended June 30, 2007 were $4.5 million and $9.6 million, respectively, and commissions paid during the three and six months ended June 30, 2006 were $6.3 million and $12.7 million, respectively.

In addition, the ultimate parent company, Bowater Incorporated, also acts as sales agent for the Company, providing access to export markets. The aggregate agency commissions paid by the Company to the ultimate parent company during both the three and six months ended June 30, 2007 were $1.1 million, and commissions paid during both the three and six months ended June 30, 2006 were $0.4 million.

The Company also receives, from time to time, certain administrative services from the ultimate parent company. The aggregate charges for such services paid by the Company to the ultimate parent company during the three and six months ended June 30, 2007 were $0.4 million and $0.5 million, respectively, and aggregate charges paid during the three and six months ended June 30, 2006 were $0.4 million and $0.6 million, respectively.

12. Combination with Abitibi-Consolidated Inc.

In January 2007, Bowater and Abitibi-Consolidated Inc. ("Abitibi") announced a definitive agreement to combine in an all-stock merger of equals (with the newly combined company herein referred to as "AbitibiBowater"). In July 2007, Bowater received final regulatory approval from the Canadian government, and the shareholders of both Abitibi and Bowater approved the combination. Bowater is still awaiting approval from the antitrust division of the U.S. Department of Justice. The combination is expected to be completed in the third quarter of 2007, subject to obtaining regulatory approval from the U.S. government and other customary closing conditions. Abitibi and Bowater will continue to operate separately until the transaction closes. In connection with this announced combination, Bowater has approved a retention and severance program for a number of the employees of the Company who may be impacted by the pending combination with Abitibi. This program provides a retention bonus for employees who remain with the Company through the closing of the combination or its cancellation for any reason and an additional retention bonus for employees who remain with the Company for a transition period following closing of the combination.

13. Subsequent Event

In order for the ultimate parent company to maintain compliance with its Canadian Credit Facility subsequent to the consummation of the proposed combination with Abitibi, it was necessary to amend the facility. The amendment was approved by the ultimate parent company's lenders in July 2007 and will become effective upon consummation of the combination. The amendment permits a structure that allows AbitibiBowater, which will become the parent corporation of Bowater Incorporated upon consummation of the merger, to become a party to the Canadian Credit Facility.